FHA Mortgage Insurance Programs
Section 232/241(a)
Mortgage Insurance for Supplemental Loans

**RED Mortgage Capital, LLC** is a leading FHA-approved Mortgagee and MAP/LEAN lender that actively underwrites, funds and services FHA insured mortgage loans on multifamily housing, seniors housing, assisted living and skilled nursing properties nationwide.

**PROGRAM PURPOSE:**
Provides insured second mortgages to finance repairs, additions and improvements to existing healthcare properties already insured by FHA. The program is intended to keep a property competitive and extend its economic life.

Eligible Borrowers: Profit motivated, non-profit and public owners with existing FHA loans are eligible.

**TERRITORY:**
Nationwide.

**MAXIMUM TERM:**
The supplemental loan will be coterminous with the existing FHA loan. With HUD waiver approval a 40 year term could be approved.

**MAXIMUM LOAN:**
The lesser of:
1. 90% of FHA's allowable replacement cost.
2. 90% of the market value added by the project.
3. Amount that results in a combined debt service coverage ratio of 1.45x, including the debt service on the existing FHA loan, based on the underwritten Net Operating Income.
4. The amount of debt that, when added to the existing outstanding indebtedness, does not exceed the maximum loan amount currently insurable under the Section which the existing loan on the property is insured (i.e. 80% for Section 232/223(f)).

**PERSONAL LIABILITY:**
None. The FHA loan is non-recourse; however, identified principal(s) will be required to sign “Bad Boy” carve outs at closing.

**ASSUMABLE:**
Yes, subject to HUD and lender approval and payment of assumption fee (0.05% of the original loan amount).

**INTEREST RATE:**
Subject to market conditions. The construction and permanent financing interest rate is set at initial closing.

**PREPAYMENT:**
Subject to market conditions. Typical structures include either a 1 or 2-year lock-out period, with the remainder of the first 10 years open to prepayment subject to a penalty that declines annually. Other variations are possible based on market conditions and borrower preferences.

**MORTGAGE INSURANCE PREMIUM:**
The annual MIP is currently 0.72% (0.45% if the project utilizes Low Income Housing Tax Credits) of the outstanding loan amount.

**FHA APPLICATION FEES:**
0.3% of the loan amount (non-refundable).

**FHA INSPECTION FEES:**
0.5% of loan amount.

**REPLACEMENT RESERVES:**
Annual deposits required equivalent to the sum of (i) 0.6% of total structure cost and (ii) 10% of major moveable equipment per annum.

**FUNDING:**
Qualifies for Ginnie Mae guaranteed mortgage-backed securities, direct placement or may be used to credit enhance tax-exempt bonds.

**TIMING:**
Lender underwriting and preparation of an application will take approximately 8 weeks. Timing for approval from FHA will be contingent on their workload at the time of the application submission. RED will estimate this timing based on recent experience.

**THE PROGRAM HAS THE FOLLOWING ADDITIONAL PARAMETERS:**
- Loans insured under 241(a) assume program characteristics of the underlying the mortgage insurance program.
- Proposed repairs may not be primarily items of deferred maintenance.
- Davis-Bacon prevailing wage requirements apply to construction/repair costs if the first mortgage loan was financed under FHA’s construction loan program (232). If the existing loan was financed under FHA’s acquisition/refinancing program (Section 232/223(f)) then Davis-Bacon prevailing wages do not apply.
- A Project Capital Needs Assessment will be required every 10 years.
For additional information visit www.redcapitalgroup.com or contact:

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**RED Mortgage Capital, LLC** is a leading FHA-approved Mortgagee and MAP/LEAN lender and actively provides financing utilizing FHA insurance programs nationwide pursuant to Multifamily Accelerated Processing (MAP) and LEAN underwriting methods.

In its prequalifying review, RED Mortgage Capital, LLC will attempt to estimate both the loan amount and the fees and costs associated with the transaction. Actual loan amounts and actual fees and expenses may vary from the prequalifying estimates. A prequalifying estimate is not a commitment to make a loan.